

Message Text

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ACTION STR-08

INFO OCT-01 EA-11 ADP-00 EB-11 RSR-01 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-14 OMB-01 CEA-02 CIAE-00 COME-00

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2695

C O N F I D E N T I A L TOKYO 3740

PASS STR FOR AMBASSADOR EBERLE

E. O. 11652: GDS

TAGS: ETRD JA

SUBJ: COMPUTER AND IC LIBERALIZATION

SUMMARY: AMBASSADOR PRESSED FOR RAPID LIBERALIZATION OF COMPUTERS AND INTEGRATED CIRCUITS IN CONVERSATIONS WITH PRIME MINISTER AND NIPPON ELECTRIC PRESIDENT KOBAYASHI. PRIME MINISTER SAID HE DEVOTING " ALL HIS TIME" TO FINDING SOLUTION. KOBAYASHI EXPRESSED FEARS U. S. DOMINANCE BOTH COMPUTERS AND IC' S IF LIBERALIZED NOW. SAID JAPANESE INDUSTRY WOULD REQUIRE SUBSIDY FROM GOJ TO SURVIVE. AMBASSADOR URGED JAPANESE COMPUTER INDUSTRY LEADERS HELP PRIME MINISTER IN FINDING MEANS TO ACHIEVE RAPID LIBERALIZATION. END SUMMARY.

1. ON MARCH 25 AMBASSADOR HAD LUNCHEON CONVERSATION WITH PRIME MINISTER TANAKA ON SUBJECT COMPUTER LIBERALIZATION. AMBASSADOR INITIATED CONVERSATION BY COMPLIMENTING TANAKA ON LATTER' S WILLINGNESS TO BECOME PERSONALLY INVOLVED IN ISSUE IN LIGHT OF STRONG INDUSTRY RESISTANCE TO LIBERALIZATION. NOTED THAT COMPUTER RESTRAINT HAD BECOME SYMBOL IN US OF TYPE UNWARRANTED JAPANESE RESTRICTIONISM AT TIME WHEN JAPAN WAS ENJOYING WORLD' S LARGEST TRADE SURPLUS. CONFIDENTIAL

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2. PRIME MINISTER STATED HE FULLY APPRECIATED SIGNIFICANCE US ATTACHES TO COMPUTER LIBERALIZATION AND THAT HE DEVOTING " ALL HIS TIME" TRYING TO DEVELOP SATISFACTORY PLAN THAT HE COULD ANNOUNCE IN NEAR FUTURE.

3. AMBASSADOR NOTED THAT JAPANESE INDUSTRY PROPOSAL WHICH CALLED FOR LIBERALIZATION IN 1977 WAS AN " AFFRONT" TO US, AND THAT ANY GOJ PLAN BASED ON THAT TIME FRAME WOULD HAVE WORSE EFFECT ON US THAN NO PLAN AT ALL.

4. PRIME MINISTER THEN ASKED AMBASSADOR WHAT HE WOULD REGARD AS REASONABLE. IN RESPONSE AMBASSADOR NOTED THAT HE COULD ONLY SPEAK ON PERSONAL BASIS. OBVIOUSLY WE WISHED IMMEDIATE IMPORT AND CAPITAL LIBERALIZATION BUT EXPRESSED VIEW THAT PROGRESSIVE IMPORT RELAXATION CULMINATING IN COMPLETE LIBERALIZATION BY MID-1974 MIGHT MEET OUR NEEDS. RE CAPITAL LIBERALIZATION, AMBASSADOR EXPRESSED VIEW THAT 50 PERCENT CAPITAL LIBERALIZATION BY MID-1974 AND 100 PERCENT BY MID-1975 WOULD SEEM BE REASONABLE. AMBASSADOR ALSO EXPRESSED HOPE ANNOUNCEMENT COULD BE MADE DURING LATTER HALF APRIL AFTER DIET'S BUDGETARY DEBATE CONCLUDED. PRIME MINISTER DID NOT COMMENT RE THESE SUGGESTIONS.

5. MARCH 26 AMBASSADOR MET WITH MR KOJI KOBAYASHI, PRESIDENT OF NIPPON ELECTRIC COMPANY. AMBASSADOR STRESSED SAME POINTS ON COMPUTER LIBERALIZATION MADE TO PRIME MINISTER.

6. KOBAYASHI REPLIED THAT JAPANESE AWARE OF US CONCERN AND KNOW RESTRICTIONS EVENTUALLY MUST BE REMOVED. HE SAID JAPANESE INDUSTRY CONCERNED OVER ITS ABILITY SURVIVE IN LIBERALIZED MARKET DOMINATED BY IBM. HE NOTED NUMBER OF US FIRMS HAD BEEN FORCED OUT OF COMPUTER FIELD. JAPANESE BELIEVE IBM WOULD TAKE AGGRESSIVE ACTION EXPAND ITS MARKET SHARE IF COMPUTERS LIBERALIZED. SUCH CONCERN HEIGHTENED BY RECENT IBM ANNOUNCEMENT OF FREE MODEL 360 TO SCHOOLS AND OTHER INSTITUTIONS IN JAPAN. JAPANESE FIRMS COULD NOT MATCH SUCH MARKETING MOVES.

7. AMBASSADOR SAID IMPORTANT POINT WAS TO HAVE COMPUTERS AVAILABLE, NOT WHERE THEY WERE MADE. KOBAYASHI SAID ONCE DOMINANT POSITION BY ONE FIRM ACHIEVED IT COULD GREATLY
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INCREASE RENTAL RATES. HE SAID THERE WAS FURTHER CONCERN

THAT DESIRED COMPUTER MIGHT NOT ALWAYS BE AVAILABLE FROM FOREIGN SUPPLIER.

8. AMBASSADOR STRESSED NEED SOLVE COMPUTER PROBLEM TO AID IN SOLVING OVERALL TRADE DIFFICULTIES. HE EXPRESSED HOPE JAPANESE COMPUTER INDUSTRY LEADERS WOULD HELP GOJ SOLVE THIS PROBLEM. KOBAYASHI SAID HE HAD PRESENTED TO PRIME MINISTER JAPANESE INDUSTRY POSITION OF LIBERALIZATION IN THREE TO FIVE YEARS AND A GOVERNMENT SUBSIDY TO AID DOMESTIC PRODUCERS. AMBASSADOR AGAIN URGED THAT COMPUTER INDUSTRY LEADERS ASSIST GOJ IN SOLVING PROBLEM AND NOT HOLD TO THREE TO FIVE YEAR TIME FRAME WHICH UNACCEPTABLE TO US. KOBAYASHI SAID THAT IN FINAL ANALYSIS DECISION WOULD HAVE TO BE MADE BY PRIME MINISTER. IF A MORE RAPID TIMETABLE ADOPTED JAPANESE COMPUTER INDUSTRY WOULD FOLLOW GOVERNMENT LEAD BUT WOULD DEMAND SUBSTANTIAL SUBSIDY.

9. RE INTEGRATED CIRCUITS, KOBAYASHI STATED IN RESPONSE STRONG STATEMENT FROM AMBASSADOR URGING LIBERALIZATION, THAT JAPANESE INDUSTRY CONSISTED OF MANY SMALL FIRMS WHICH WOULD BE FORCED OUT OF BUSINESS IF IC'S FREELY ENTERED COUNTRY. HE NOTED THAT U. S. IC PRICES BEING REDUCED EACH YEAR BY RATE GREATER THAN JAPANESE COULD MATCH. JAPANESE BELIEVE THAT IC'S MADE IN U. S. NOW BEING DUMPED IN JAPAN. AMERICAN FIRMS HAD FOLLOWED SAME PATTERN IN EUROPE. AFTER SECURING MAJOR SHARE OF MARKET THEY HAD MOVED INTO PRODUCTION. RESULT WAS THAT IC'S IN EUROPE NOW DOMINATED BY U. S. COMPANIES. KOBAYASHI SAID THERE WAS GREAT FEAR THIS WOULD ALSO HAPPEN IN JAPAN. SINCE JAPAN HAD NO ANTI- DUMPING LAWS SIMILAR TO U. S., ONLY WAY TO PREVENT U. S. TAKEOVER WAS BY QUOTAS.

10. AMBASSADOR AGAIN SAID THAT ONLY WAY SOLVE CURRENT U. S./ JAPAN PROBLEM WAS TO REDUCE BARRIERS TO IMPORTS. HE URGED JAPANESE INDUSTRIAL LEADERS IN COMPUTER AND IC FIELD, SUCH AS MR KOBAYASHI, TO HELP GOVERNMENT REACH SOLUTION TO PERMIT RAPID LIBERALIZATION.
INGERSOLL

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